



Implementation of Tri Hita Karana - Based Organizational Culture by Lembaga Perkreditan Rakyat at Kuta Traditional Village

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General Note



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ABSTRACT

The Village Credit Union '*Lembaga Perkreditatan Desa* (herein after abbreviated to as LPD)' which is managed by Kuta Traditional Village 'Desa Adat Kuta' has been developing dynamically and has successfully been able to empower the local people. The implementation of the *Tri Hita Karana*-based organizational cultural value has contributed to such a success. The *Tri Hita Karana* (hereinafter abbreviated to THK) has also made such a unit of LPD exist and develop perpetually, and able to make innovations and compete with other general banks. This present study is intentionally intended to discuss the following problems; they are (1) how the THK-based organizational culture has been implemented by the unit of LPD at Kuta Traditional Village; (2) what has been the impact of the implementation of such an organizational culture on the empowerment of the local people (the people living at Kuta

Traditional Village). This present study is the result of the qualitative study from the perspective of cultural studies. The data were descriptively, qualitatively, and interpretatively analyzed using several critical theories of cultural studies. The result of the study shows that the THK-based organizational culture implemented by the unit of LPD at Kuta Traditional Village refers to the attempt made to maintain the harmonious relation between man and Almighty God (referred to as *parhyangan*), the harmonious relation between man and his fellow beings (referred to as *pawongan*), and the harmonious relation between man and his environment (referred to as *palemahan*).

Keywords: LPD's Organizational Culture, Tri Hita Karana, Empowerment of Local People at Kuta Traditional Village

1. INTRODUCTION

The government keeps developing financial institutions both in the forms of banks and non-banks in the rural areas. The financial services for the people living in the rural areas are provided by *Bank Perkreditan Rakyat* (abbreviated to BPR), cooperatives, pawnshops, and 'Lembaga Perkreditan Desa (LPD)'. Among the non-bank financial institutions in Bali, LPD is the one with the biggest asset. By the end of 2015, the asset, if added together, of all the units of LPD in Bali totaled Rp. 14.7 billion, meaning that there was a 17% increase compared with that in the previous year (LPLPD Provinsi Bali, 2016).

As a financial institution, one unit of LPD collects and distributes funds within the administrative area of a traditional village. By relying on the number of the people the administrative area of the traditional village and the close brotherhood among the local people, it has been able to develop. By the end of 2015, the funds which were collected from the third parties through the units of LPD in Bali totaled Rp. 12.2 quintillion, meaning that there was a 16.5% increase compared with that in the previous year. Such funds were collected from 1.895.446 customers. The credits which could be distributed by all of the units of LPD in Bali totaled 11, 03 quintillion with 426.359 debtors (LPLPD Provinsi Bali, 2016). The simple administrative requirement and system, the easy accessibility and the brotherhood system which can control the quality of the distributed credits have led to such a growth.

The units of LPD collect funds from the villagers in the forms of savings and fixed deposits. Apart from that, they also distribute funds to the villagers and receive loans from the financial institutions. The maximum amount of loans which may be received is 100% of the total capital, including reserves and the retained profit. The more liquidity which they may have is saved at the Bali Regional Development Bank 'Bank Pembangunan Daerah Bali (abbreviated to BPD)' for which competitive rates are paid and adequate services are provided. In general, the units of LPD are established to (1) motivate the economic development of the rural areas through savings and distributions of effective capitals; (2) eliminate the system of buying rice from farmers by paying for it prior to the harvest 'sistem ijon', illegal pawning, and the like; (3) create equal opportunities for the rural people to run enterprises; (4) improve the villagers' buying ability; make the payment traffic and the cash flow in the rural areas fluent. Therefore, the units of LPD should do their best to improve their performances in order to achieve the above mentioned objectives and to be trusted.

Among the units of LPD in Badung Regency, the one which has been dynamically developing is the unit of LPD which is managed by Kuta Traditional Village, Kuta District, Badung Regency. It was established in 1996, and the assets it had by the end of 2015 totaled 392 billion. As stated in the Regulation issued by Bali Province No. 8 of 2002, the unit of LPD at Kuta Traditional Village has run its business within the village for which it was established and its citizens. It is a financial institution which belongs to the traditional village and has been developing and socially, economically, and culturally contributing to its members. Therefore, it should be supervised so that it can perform better and perpetually develop to improve the local people's standard of life.

Although the competition which the unit of LPD at Kuta Traditional Village faces with other general banks is getting tighter, it perpetually exists and has been able to develop and make innovations to serve the local people as its customers. Basically, the THK-based organizational culture has contributed to its development. The THK philosophy gives emphasis that man should keep harmonious relation with the Creator, namely, Almighty God (*parhyangan*), that he should keep harmonious relation with his environment (*palemahan*), and that he should keep harmonious relation with his fellow-beings as an intact unity (*pawongan*) (Mantra, 1996).

As generally implemented in the units of LPD all over Bali, the THK-based organizational culture implemented by the unit of LPD at Kuta Traditional Village has made it a unique financial institution. The THK-based organizational culture which has been used as the basic value and the guidance to its orientation has contributed to the success it has achieved. The philosophy of THK has been used as the basis for its internal and external development to empower the traditional village. In relation to its current existence and

development, this present study is intentionally intended to raise the following problems; (1) how has the THK-based organizational culture been implemented by the unit of LPD at Kuta Traditional Village; (2) what impact it has had on the empowerment of the local people at Kuta Traditional Village?

2. LITERATURE REVIEW

Organizational culture refers to the values which are strongly adhered to by the members of an organization to implement the organizational activities. According to Ritchie (2000), organizational culture has contributed to productivity, performance, commitment, and ethical behavior. In addition, it is also the intangible resource which can be used to support the organizational development. It functions as a reliable tool for achieving the objective of the development of a business, human resources, and facing competition.

Cultural environment constitutes an internal environment in a business. It is an asset which cannot be purchased using money. According to Ramadan (2010), there are four factors which can either develop or damage a business. Cultural organization is a set of values which a company has to help direct its objective. It directs the organization and its members to refer to the formal regulation and its structure. In this relation, the organizational culture which is implemented by the units of LPD in Badung Regency is based on several policies issued by the government; they are the Local Regulation of Badung Regency Number 19 of 2001 concerning LPD and the Regional Regulation of Bali Province Number 8 of 2002 concerning LPD.

Tri Hita Karana (THK) is a philosophy of the Bali Hindus. It is a philosophy which gives emphasis on the process of achieving prosperity by making the relation between man and the Creator, Almighty God (*parhayangan*), the relation between man and his environment (*palemahan*), and the relation between man and his fellow-beings (*pawongan*) harmonious as an intact unity (Mantra, 1996). Such a philosophy is also highly relevant to business activities (Dwirandra, 2011). The word *parhyangan* is derived from the word *Hyang Widhi* or *Tuhan Yang Maha Esa* (Almighty God). *Parhyangan* is one of the dimensions of the philosophy of THK which emphasizes that prosperity can be achieved if there is harmonious relation between man and the Creator, Almighty God. A business activity is an offering which is controlled by God (Windia and Dewi, 2007).

It is necessary for a unit of LPD to know that organizational culture is important to make it competitive. A harmonious condition and togetherness in the business activity can be created if the external business environment can be controlled by its internal environment. It is in such a condition that the business activity can be continued (Windia and Dewi, 2011). The studies investigating the sustainable competitive advantage have successfully revealed that organizational culture is one of the important resources for the company's sustainable competitive advantage (Ramadan, 2010). The THK values can be found in the rural economic institution such as *subak* (the traditional organization of farmers in Bali) and the village credit union 'Lembaga Perkreditasi Desa' in Bali. The existence, management and development of LPD are based on the THK value as far as its organizational culture is concerned. The THK-based LPD organizational culture can be the unique recourse which can contribute to the competitive advantage needed to win the sustainable business competition.

3. METHOD

This present study is the result of the qualitative study using the perspective of cultural studies. The data were collected through observation, library research and in-depth interview. The informants whom were interviewed were the management, the customers of the unit of LPD at Kuta Traditional Village and the LPD observers in Bali, totaling 15. The data were analyzed descriptively, qualitatively and interpretatively using several critical theories of cultural studies.

4. DISCUSSION

4.1. Implementation of the LPD's THK-based Organizational Culture at Kuta Traditional Village

Organizational culture is the basic collective assumption, values, belief, behavior and attitude which are adhered to by an organization. It is used as a reference for understanding its internal and external environment in order to achieve what it is aimed at (Schein, 2004; Moeljono, 2003). It functions to tighten and unify the identity, image and motivate the staff members of the organization and everybody in it. Then, such a system of values is bequeathed to the next generation, and can be used as a guide to the behavior of everyone in an organization which is oriented towards the objective which is aimed at or the target of the performance already determined. Such value and behavior will be shown in their daily behavior, system and technology, the company's strategy and logistic, and, will finally improve the organization's performance.

According to Schein (2004), organizational culture of an organization can be classified into 3 (three) levels; they are the aspect of artifacts, the espoused values, and basic assumptions. In the level of the espoused values, the organization and its members need strategies, goals and philosophy of its leader to behave and take actions. The basic assumptions contain a number of beliefs that the organization's members are guaranteed to be well accepted that they will do things correctly and accurately.

Sagiv and Schwartz (2007) emphasizes that there is a tight relation and interaction between a society's culture (its external environment, institution) and organizational culture (internal environment, self-regulation, self-reference, and identity). The external environment is the factor which can be influential through the process of evaluating the organizational culture and internal environment of the whole organization in general.

According to Windia and Dewi (2007), nowadays the philosophy of THK has been implemented by most Balinese people who are both Hindus and non-Hindus. Such a philosophy has been implemented in the management and development of the LPD's organizational culture. The Tri Hita Karana-based LPD's organizational culture can be seen in Table 1.

Table 1 The Implementation of LPD's THK-based Organizational Culture

Philosophy of <i>Tri Hita Karana</i>	Implementation of LPD's Organizational Culture	
	Inside Organization (Management of LPD)	Outside Organization (the villagers and customers)
<i>Parahyangan</i> (the harmonious relation between man and Almighty God)	Employees and management of LPD do their best to be faithful to and implement the religious teaching to prove the harmonious relation between man and Almighty God. The goal and strategy of LPD is based on the belief in Almighty God	LPD's contribution to: <ul style="list-style-type: none"> • Religious activities • Development of religious facilities
<i>Pawongan</i> (the harmonious relation between man and his fellow-beings)	The harmonious relation between employees and the management through the LPD's guide and strategies	<ul style="list-style-type: none"> • The involvement of the villagers as the LPD's employees • The LPD's program to help: <ul style="list-style-type: none"> ○ Poor people ○ Small enterprises ○ Poor but potential students • The LPD's contribution to <i>pesantian</i>, <i>kidung</i>, <i>sekehe</i> (traditional groups) and so forth
<i>Palemahan</i> (the harmonious relation between man and his environment)	The LPD's strategies and goals are directed to preserve environment	<ul style="list-style-type: none"> • Reforesting the traditional village • Rubbish management • Helping the construction of the village's temples and so forth

Source: processed from different sources (Agung Sadiarta, 2016)

As stated by Schein (2004), organizational culture refers to the collective basic assumption, values, belief, behavior and attitude which are adhered to by an organization and used as a reference for understanding the internal and external environment in order to achieve its goal. As described in Table 1, the LPD's THK-based organizational culture is internally and externally implemented. The LPD's employees and management highly appreciate the cultural values which are adopted from the philosophical aspects of THK such as *parhyangan*, *pawongan* and *palemahan*. Such a philosophy is shown in the form of the LPD's products which attempt to give

the first-rate services to its customers; it keeps maintaining the customers' belief through perpetual innovative services provided to its customers. The products of the unit of LPD at Kuta Traditional Village are savings, fixed deposits, loans, and services.

First, the harmonious relation between man and Almighty God (*parhyangan*); internally, the LPD's employees and management attempt to be faithful to and implement their religious teaching to prove the harmonious relation between man and Almighty God. The LPD's organizational culture is implemented through its commitment to describing its strategies and goals which are based on their belief in Almighty God. Externally, the LPD's organizational culture is implemented in the form of the contributions to religious rituals, temple renovations, and the prosperity of *pemangku* (priests). It is also implemented in the form of the assistance provided to the poor families as they are not financially able to perform religious rituals. In the Regional Regulation of Bali Province Number 8 of 2002, it is stated that 20% of the benefit gained by LPD should be allocated to the traditional village's development programs. The *taksupunia* program, for example, is a special deposit program of the unit of LPD at Kuta Traditional Village which functions as a non-profit saving program. A participant only deposits Rp. 100,000.00 for which he/she will receive Rp. 2,500,000.00 when he/she dies from LPD. The concept of such a product is in accordance with the Balinese people's philosophy '*menyama braya*' (brotherhood) or helping one another (Sadiartha, 2011).

Second, the implementation of the philosophy of *pawongan*, namely, the harmonious relation between man and his fellow-beings; the LPD's organizational culture, especially the aspect of *pawongan* is reflected by the harmonious relation between its employees and management through its goals and strategies. Externally, the aspect of *pawongan* is implemented through the opportunity provided to the villagers to be the LPD's employees, and the development of its products to empower the villagers. The products are also in the forms of savings and fixed deposits, loans and services (Table 2).

Table 2 The products and services provided by the unit of LPD at Kuta Traditional Village

Product	Types of Services
Savings and fixed-deposits	<i>Simpanan Desa Adat Kuta (Sidesaku)</i> , <i>Simpanan Masa Depan (Simade)</i> , <i>Simpanan Cerdas Anak Sekolah (Sicerdas)</i> and <i>Taksu Punia</i>
Loans	<i>Pinjaman Nyama Braya LPD</i> , <i>Pinjaman Kredit Kepemilikan Rumah (KPR) Krama LPD</i> , <i>Pinjaman Program Community-Based Development (CBD)</i>
Services	Payment for electricity, telephone, and drinking water; renewed registration of vehicles in Badung Regency and Denpasar City, and photo-copy

Source: Unit of LPD at Kuta Traditional Village (2015)

As presented in Table 2, the unit of LPD at Kuta Traditional Village, as a credit union, contributes to the economic growth of the local people; therefore, the products which can satisfy what they need are required. The local people's belief in LPD plays an important role, and one of the strategies implemented by the management is giving excellent services.

Third, the implementation of the philosophy of the *palemahan*, that is, the harmonious relation between man and his environment; internally, as far as the LPD's organizational culture in general and the aspect of *palemahan* in particular is concerned, it is reflected in its strategy and goal which are aimed at the environmental conservation. Externally, it can be seen from its contribution to the attempt made by Kuta Traditional Village to keep cleanliness; it has taken part in reforesting the traditional village, processing the rubbish, and helping the construction and maintaining the village's temples.

Apart from that, the unit of LPD at Kuta Traditional Village has also really contributed to the dynamism of the local people's lives; it has contributed to the aspects of *prahyangan*, *pawongan* and *palemahan*. This can be seen from the amounts of the funds donated for development and social activities which increase every year. This has certainly contributed to the progress made by the local people. In 2014, for example, LPD donated Rp. 2,710,874.158 for the developmental activities and Rp. 677.718,540 for the social activities (see Table 3). From 1996 to 2014 the donation made by LPD for the developmental activities amounted to Rp. 18.6 billion and for the social activities amounted to Rp. 4.6 billion. The funds used for funding the developmental activities were taken from

20% of the benefit gained, and the funds used for funding the social activities were taken from 5% of the benefit gained by LPD (LPD Desa Adat Kuta, 2015).

Table 3 The Amounts of Funds Donated by the Unit of LPD at Kuta Traditional Village Used for Funding Developmental and Social Activities (2010 -2014)

Year	The amount of funds donated for funding the developmental activities (IDR)	The amount of funds donated for funding the social activities (IDR)
2010	1,868,139,855	467,034,964
2011	2,029,222,950	507,305,737
2012	2,259,360,521	564,840,130
2013	2,545,525,456	636,381,350
2014	2,710,874,158	677,718,540

Source: LPD Desa Adat Kuta, 2015

4.2. The Impact of the Implementation of the LPD's Tri Hita Karana-based Organizational Structure on the dynamism of the local people at Kuta Traditional Village

Organizational structure plays a very important role in the development of a business organization, including the traditional financial institution as LPD. The implementation of the *Hita Karana*-based organizational organization of LPD can support the development of LPD, as an economic institution. It can enable LPD to compete with other commercial banks, as can be seen from the financial performance of the unit of LPD at Kuta Traditional Village from 2013 to 2014. Although the national economic condition was relatively weak in the last two years, the LPD's assets and capitals showed an increase (see Table 4).

Table 4 Financial Performance of the Unit of LPD at Kuta Traditional Village from 2013 to 2014

Indicator	2013	2014	Growth
Assets	345,756,610	352,359,785	1.90
Savings	124,323,013	128,993,389	3.75
Fixed Deposits	165,422,550	157,677,772	4.68
Credit	12,727,627	13,554,371	7.64
Profit	12,727,627	13,554,371	6.49

Source: LPD Desa Adat Kuta, 2015

The LPD's *Tri Hita Karana*-based organizational culture has caused LPD to be competitive enough to win the business competition sustainably. In addition, it has also economically, socially, culturally and religiously affected the local people. First, economically, funds are absorbed in the forms of savings, fixed deposits, and are distributed in the form of productive and consumptive credits to the local people. The LPD's products have empirically strengthened the local people's economy. The micro economic enterprises which are run by the local people can develop. Many work as vendors and sells commodities at the stalls prepared at the Kuta Art Market. The LPD's existence has been able to empower the local people and to improve their prosperity.

Second, socially, some of the profit gained by LPD has been donated for the local people's social activities. This is done as an attempt made to implement the regional regulation concerning LPD. The loans and services provided by LPD have both directly and

indirectly contributed to the local people's social lives. Various social activities such as what is referred to as *dasawisma* group, the youth 'sekaa teruna-teruni' group, the sports events, and art and cultural events are held with assistance and support provided by LPD. The products and services provided by LPD have been able to strengthen the solidarity (social cohesion) among the local people at Kuta Traditional Village. Apart from that, the strengthening of the principle of *nyamabraya* (brotherhood) between the management and customers has been able to make the customers more aware that they should pay what they are obliged to on time. The "nyamabraya" approach, as part of the strengthening of the *pawongan* principle, has been an effective strategy to avoid bad credits from taking place. All the matters pertaining to the LPD's customers can be coped with using the *nyamabraya* approach. As part of the LPD's organizational culture, the *nyamabraya* (brotherhood) approach 'pawongan' has become a local genius in the management of the LPD's customers.

Third, the implementation of the LPD's THK-based organizational culture has strengthened the local people's cultural and religious lives. The art and cultural activities and the Hindu religious rituals can be performed in accordance with the local people's development. The *Kahyangan* Temples can be renovated and the religious rituals can be performed with the assistance provided by LPD.

The LPD's THK-based cultural organization has made the unit of LPD at Kuta Traditional Village a traditional financial institution which can innovate and compete with the other commercial banks. The local people's fanaticism that the local LPD is their first choice before the other commercial banks proves this. Its products such as *Sidesaku* (*Simpanan Desa Adat Kuta*), *Simade* (*Simpanan Masa Depan*), *Sicerdas* (*Simpanan Cerdas Anak Sekolah*) and *Taksu Punia*, as fixed deposits, are intentionally packaged and developed in accordance with what is expected and needed by the local people. The friendly, open, modern, and innovative products and services provided by the Unit of LPD at Kuta Traditional Village have made it loved by the local people. The customers feel that they are benefited personally and collectively. The funds donated for supporting the developmental activities (20% from the benefit gained by LPD) and the social activities (5% from the benefit gained by LPD) have made the local people feel that they are socially, economically, culturally, and religiously empowered.

5. CONCLUSION AND SUGGESTION

5.1. Conclusion

- 1) *Tri Hita Karana* (THK) has become the LPD's organizational cultural value; the LPD's THK-based organizational value refers to the attempt made to maintain the harmonious relation between man and Almighty God (*parhyangan*), the harmonious relation between man and his fellow-beings (*pawongan*), the harmonious relation between man and his environment (*palemahan*).
- 2) THK in the LPD's THK-based organizational culture is implemented in the forms of the LPD's three roles; they are the aspect of *parhyangan*, namely, it is committed to strengthening the Bali Hindu tradition and religion; the aspect of *pawongan*, that is, it is committed to improving the services provided to the customers; and in the aspect of *palemahan*, that is, it is committed to preserving the environment.
- 3) The implementation of LPD's THK-based cultural organization (a) economically improves the local people's prosperity; (b) socially strengthens the social solidarity among the local people; and (c) culturally and religiously motivates and strengthens the Hindu religious and cultural activities performed by the local people.

5.2. Suggestion

- 1) It is suggested that the funds allocated from the benefit gained by LPD for both social and developmental activities as the attempt to empower the local people should be maintained;
- 2) The approach of brotherhood "nyamabraya" implemented by the unit of LPD managed by Kuta Traditional Village which turns to have been able to anticipate the bad credits can be implemented by the other general banks.

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